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Maine Peace Action Committee Newsletter

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Maine Peace Action Committee

STATEMENT OF PURPOSE

The Maine Peace Action Committee (MPAC) was founded in 1974 with a special focus on ending the war in Indochina. MPAC has been concerned with our society's violent and militaristic nature, which is manifested in a lack of humane and progressive values and a tendency towards solving problems via destructive means.

Our general orientation takes the double focus of analyzing and opposing militarism, or the efforts to use nuclear weapons and other military means to solve human problems, and imperialism, or the efforts by powerful nations to use economic and military means to impose their will upon less powerful peoples.

Our nation's pursuit of these policies undermines its ability to deal with the needs of its own citizens and places us in greater danger of war. Our tax dollars are used to develop first strike capable weapons and to support repressive regimes abroad. Consequently, there are fewer dollars available for needed human services both here and abroad.

If we direct our energy and other resources into weapons systems, there is little left for creative solutions to problems such as the world food and fuel shortages which threaten our survival.

We have seen human needs are neglected by an existing government, and when that government represses groups attempting to meet those needs, violent upheaval has resulted. Our government's military economic support for such repressive regimes has embroiled us in armed conflicts which have escalated to full scale war and could mean inevitable global destruction.

We support efforts to deal with each of these problems since we see them as resulting and contributing to an economic and political system over which most of us have little control.

We in MPAC believe that while none of these efforts by itself can bring about a completely just society, together we can work toward more comprehensive solutions. We feel that we can best contribute by challenging militarism and

imperialism and proposing alternatives to these policies.

We find we can act effectively if we focus on a limited number of specific issues and campaigns.

We need projects which can:

1. unite people within our group
2. provide opportunities for action resulting in measurable achievement
3. link our efforts with national campaigns; and
4. demonstrate the dynamics of militarism and imperialism.

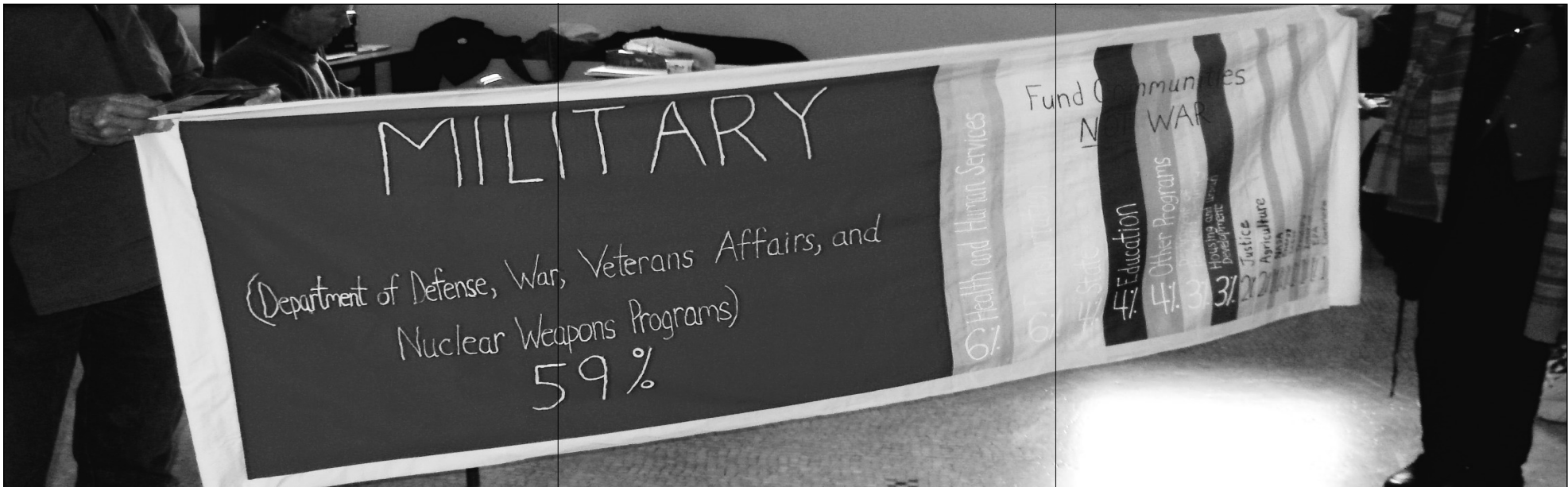
For our activities to be successful, we need to educate ourselves about issues, analyze the contributing factors, investigate alternative solutions, decide strategy for implementing alternatives, and share our understanding with the community to enlist their support.

MPAC believes that people united and working together can redefine our values and change our approach to problems so that we shall be able to live in a free and creative society; indeed, such efforts are imperative if we are to survive.

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COMMUNITY INTERCONNECTION

All life is interconnected. Think about it. Think about how all living things depend upon one another. An ecosystem is made up of parts that give and take. We breathe in oxygen from trees and breathe out carbon dioxide for the trees. This is the constant exchange of energy inherent in life. The rule applies to communities as well. Why do humans form communities? Because we need one another. Our ancestors realized that living in groups was vital for survival. People support one another in groups. Living in groups allows us to satisfy needs such as eating, shelter, belonging, and understanding ourselves. We are not separate from the community. We are the community. What benefits the community benefits us, and what hurts the community hurts us.

I believe that the reason why people cause suffering is because of their ignorance of the interrelatedness of life. The corporate-rich in charge of most of the wealth and resources on Earth use an ideology that says humans are by nature competitive, individualistic, and profit most from consumption and acquisition of material wealth and power. They argue that since there are limited material resources on the planet, we must live according to a competitive system of economics in order to ensure that all the material and social resources are used to the most efficient and optimal degree. This and other limited reasoning defends the fact that there is a massive imbalance of wealth between the rich and poor. Furthermore, the rich are in a position to further their power by influencing government policy i.e. corporate deregulation, lower taxes for the rich, and wars to protect resource and trade markets.

The view that humans are inherently selfishly competitive and the best life is one of material wealth and consumption is simply not true. Humans can indeed be competitive, and being so can have useful productive results. However, cooperation can have the same productive implications, and many contend that a socially cooperative and inclusive attitude towards life is more conducive to a higher wellbeing than a selfishly competitive attitude. The problem with the competitive view is that it destroys the reality of the self's essential relationship to the community and environment. Because of the disconnection, harm to the community is justified or shrugged off. The devastating evidence of this is seen in the

billions who live in poverty, the constant fighting of wars for control of markets, and the destruction of the natural environment.

Interestingly, the documentary *The Corporation* makes the claim that if corporations are viewed as people (which incidentally they now are under law) then they possess the character traits of a confirmed psychopath: callous unconcern for the feelings of others, incapacity to maintain enduring relationships, reckless disregard for the safety of others, deceitfulness:



repeated lying and conning of others for profit, incapacity to experience guilt, and failure to conform to social norms with respect to lawful behaviors. Should anyone want these psychopaths in charge of our society?

Learning to see ourselves as connected to each other and the earth will be the end of war, poverty, and environmental abuse. In our system we have been raised to believe certain things about ourselves and the world we live in. The underlying values of this system do not adequately represent what it means to be human. To me the best things about being human are friendship, cooperation, good-willed competition (playing games), creation, and self-determination. Corporations don't like these values because they impinge upon their profits. Friendship isn't worth anything to a corporation, and neither is the opportunity for us to freely choose who we are, who we want to be, and what we wish to create.

Imagine if everyone were friends. It is not impossible. We can think about what we really value and make it a reality. Why not? This is a search. We are not taught to search and experiment. We are taught to accept what we learn in

school and usually if we can repeat it back to the teacher we get an A. It is up to us to ask questions about what our purpose really is in life and what makes us most happy. Talk about these things with other people. These types of conversations are the most meaningful to me. I believe that the best life is one that is based on a foundation of morality. More than one wise tradition in the world says that the way to find the highest happiness for yourself is to truly wish others to be well. I have found that trying to relate to others as friends has made me feel more at ease and has led me to great new friendships. I think that friendship is infinitely more important than consumption. I would rather have friends than any amount of money in the world.

The fact that it feels good being positive and friendly to the world is not a surprise. Remember, there is a flow of energy between everything. What we give is what we receive. It makes complete sense that what is good for the community is good for us. It also feels good to realize connection to the community. The community is not an abstraction separate from us; it is not us vs. society. Rather, community is the real condition of interconnected individuals. That's why community must be 'realized'; realization is becoming aware of what already is, and the truth of our condition is we are interconnected individuals living in community.

I believe that negative feelings come from feeling disconnected, separate, and misunderstood by others, and these are symptoms that come from not living as a community. I think our socioeconomic system feeds off of these feelings. I think the system stems from this illusion of separateness. When we feel disconnected, it is painful. These feelings are fuel for a consumerist society. The truth is that we don't really need to consume a lot or acquire very much. What I think we need is connection to each other, to the community and earth. We can't do this alone. By nature it is a group process. I think that as more people realize connection to the community the more powerful will be the effort to end injustices. One of the best ways to realize yourself as connected to the community is to join a peace activist or community building group.

I think it is our duty to improve our community. Since we are truly connected to everyone, we should truly care for those who suffer. As a part of the community you are related to the issue. We all have a voice and we all have will. If we decide to work towards resolutions we are that much closer to improving the situation. Some believe that we feel even more connected to the community when we give back to it and that it is a human need to feel that we have given. What we receive by such giving is a much greater sense of our own self-development, self-fulfillment and connection to the community. Remember the flow of give and take.

— Daniel White



PEACEBUILDING CHALLENGES

The philosophy and practice of Mahatma Gandhi, as critically selected and creatively reinterpreted, reformulated, and reapplied, can challenge us to rethink our approach to peacebuilding. This article provides dramatic challenges to our usual ways of thinking about war and war making, peace and peacebuilding, violence and nonviolence. In short, Gandhi can serve as a catalyst challenging us to rethink our usual ordinary views, as well as the dominant views of those with economic, political, and military power, in ways that open up new, more adequate approaches to our most pressing crises.

What are our usual ways of thinking about peacebuilding? Most people with power, as well as ordinary citizens, easily identify themselves as being for peace and peacebuilding and as against war and war making, even if they usually qualify this by acknowledging that war and war making are sometimes, regrettably, necessary, almost always justified as means for establishing the goal of peace.

By way of a dramatic challenging contrast, my approach, using Gandhi’s insights and analysis, contends that most who claim to favor peace actually favor war or at least are comfortable perpetuating and benefiting from war. In more general terms, since war is a specific form of violence, most who claim to favor nonviolence actually favor violence or at least contribute to, are complicit with, and benefit from a state of contemporary violence. If that is the case, how do we embrace nonviolent, antiwar, constructive alternatives for winning the peace?

“Peace” and “Peacebuilding”

Positive terms like “peace,” as well as other feel-good terms like “love,” are usually thrown out and employed in vague, uncritical, self-serving ways. They are often little more than some slogan on a greeting card with a happy face, or, more seriously, are employed to disguise, obfuscate, or justify one’s real unpeaceful and unloving priorities and relations with regard to one’s self,

one’s family, one’s neighbors, all the way to global relations between nation states.

“Peace” is generally defined in oppositional terms to “war,” and, in this sense, United Nations, NGO (Non-governmental organizations), and other peacebuilding efforts involve the process opposed to war making. They involve either building the peace after war or, in broader terms, working in preventative ways to avoid war. However, Martin Luther King, Jr., drawing on Gandhi, repeatedly reminds us that what most call “peace” is really a “negative peace,” a state in which there is no overt conflict. And, according to King and Gandhi, this is not a real peace at all. Real peace, a “positive peace,” always means that there are relations of justice. There is no peace without justice. Such insight will be essential for analyzing our peacebuilding challenges.

In this regard, we may differentiate three senses of “peace” that involve different views of the dominant status quo and hence very different approaches to what needs to be “built.” First, there is the dominant perspective that the usual status quo situation is one of peace, with violent interruptions of war and the need to restore the peace. In this sense, we commonly provide a list of the number of wars in different centuries or in the world today in such places as Iraq and Afghanistan. Many say that Sri Lanka had a long civil war that was ended in 2009. We talk about violent upheavals in Africa, the Middle East, Pakistan, and other parts of the world, with the potential for developing into war, and the need for peacebuilding to remove such threats.

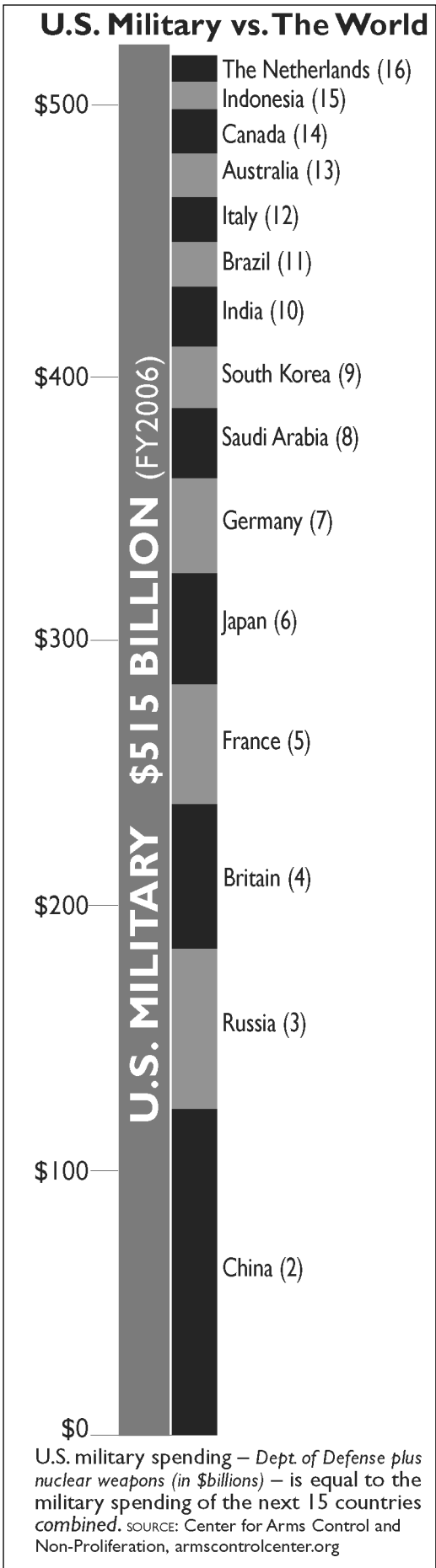
Second, there is a very different perspective in which the dominant status quo itself expresses a violent state of war. In this sense, even when there is no overt conflict or disruption, the status quo of class exploitation, poverty, gender oppression, and other relational forms of domination reveal the deepest obstacles and major challenges for peacebuilding. Here we can formulate a challenging perspective in which the 21st-century status quo is not peaceful, but must be radically transformed through nonviolent peacebuilding.

Third, there is a very different sense, frequently expressed by a challenging Gandhi and different from the above two senses, in which our normal ways of relating are often not violent or expressive of states of war making. This is very different from the first status quo perspective in which peace is simply the absence of overt war. Gandhi claims that history books emphasize the history of powerful conquerors, tyrants, and others who impose their will through violence and war. The media focuses on acts of

violence and war, as in the reporting of killings, bombings, selectively defined terrorism, and violent crimes. However, Gandhi submits that this is a false view of human history in the sense of how most people live their lives and why we have been able to evolve and survive.

In most of our lives, relatively nonviolent peaceful relations are the norm, with occasional violent interruptions. We experience cooperative relations, love, compassion, caring, responding to the suffering and needs of others, etc. This is what expresses what is morally and truly human and distinguishes us from less developed, brute, violent force. In this sense, Gandhi challenges us by submitting that we already have peacebuilding capacities and resources. What we need to do,

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which is no easy task, is to awaken, mobilize, and put into practice those higher, more human, more developed forces necessary for effective peacebuilding.

How does this relate to a perspective challenging us to formulate a more relevant and significant approach to peacebuilding? In formulating the strengths of such an alternative perspective, I'll focus on two key notions that are essential for understanding how a nonviolent peacebuilding approach can broaden and deepen our understanding of violence and war: the multidimensionality of violence and the structural violence of the status quo.



Broadening and Deepening the Approach to Violence

Most of us, who claim to be against violence and war and for nonviolence and peace, use these terms in a very narrow sense. We restrict “violence” and “war” to overt physical forces and conflicts. “Violence” refers to killing, assaults, rape, torture, domestic physical abuse, bullying, and terrorist attacks. “War” involves military attacks, shooting, bombing, and threatening with military force. In this sense, conflict resolution, including peacebuilding, involves the challenge of how to transform or prevent these overt, phys-

ical, violent conflicts. Any relevant, nonviolent, peacebuilding perspective must deal with such overt violence and war, but this is only a small part of overall violence and war in each of our lives and in the contemporary world.

First, we must deepen and broaden our peacebuilding perspective by becoming aware of the multidimensional violence of the modern world. In addition to overt physical violence, Gandhi often points to inner psychological violence, linguistic violence, economic violence, social violence, political violence, cultural violence, religious violence, and educational violence. The numerous manifestations of such multidimensional violence are often not overt but are hidden, concealed, and camouflaged in their expressions of violence. Such violence is often expressed in states of multidimensional war and war making: economic war, psychological war, cultural war, religious war, and so forth.

For example, a nonviolent peacebuilding approach must emphasize economic violence, which we can usually equate with exploitation. In understanding violence in the world, we must emphasize unequal, asymmetrical relations of domination in which some people own and control the land, the technology, the wealth and capital, and they use such economic power to exploit and oppress the impoverished and disadvantaged masses. As Gandhi repeatedly shows, modern economics is inherently violent and is at odds with the true goals of *swadeshi* (economic self-sufficiency and sustainability, especially by focusing on the economic well being of those around us), *sarvodaya* (the well being of all), and *swadharma* (acting in an ethical manner consistent with our

own self-realization), without which *swaraj* (true self-rule, self-determinism, and freedom) is impossible.

We are socialized into a modern world through language acquisition, family upbringing, educational training, religious and cultural institutions, and relations of rewards and punishments in which all of these dimensions of violence interact and mutually reinforce each other. We finally develop a view of our selves and our world as normal, natural, rational, modern, and civilized; a view that is inherently and essentially violent. We come to regard violence and war as just the way things are and as a result of violent, aggressive, competitive, egotistical, greedy, or even evil “human nature.” Without understanding this multidimensionality of violence, we cannot grasp the underlying root causes and determining causal factors that give rise to and perpetuate the multidimensionality of war making.

Second, in accepting or just living in such a world, we must become aware of the structural violence of the status quo. This is business as usual or simply the way things are. The fact that the dominant system seems to be functioning efficiently, even without examples of overt physical



violence or disruption, does not mean that it is based on nonviolent peaceful relations. Billions of human beings suffer and die, without acts of active noncooperation, protest, and resistance, because they feel fearful, hopeless, and powerless, blame themselves, or accept some religious, cultural, or political ideological justification for their suffering. But this “peaceful” acceptance, without noncooperation and resistance, of the dominant status quo should not disguise the fact that this is a very violent situation.

For Gandhi, the normal dominant economic and political systems are structurally and relationally violent and really express an ongoing state of war. For example, recent political moves by governors and legislatures in Maine and in many other states represent radical violent measures taken on behalf of the status quo wealthiest and most powerful corporations and individuals. Even when there is not massive resistance to such political and economic measures, they express a

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violent state of war directed against the working class, unions, the poor, immigrants, Muslims, racial minorities, the disabled, and, in general, the most exploited and oppressed and least powerful and most disadvantaged and needy individuals and groups.

In our peacebuilding perspective, our understanding of the multidimensional violence, as integrated with the structural violence of the status quo, is necessary for analyzing our modern violent world, for getting to the root causes and basic relational determinants, and for resisting such pervasive violence and war making. Responding to Gandhi’s challenges, such a deepened and broadened approach to violence is necessary for proposing nonviolent alternatives grounded in *satya* (truth), *ahimsa* (nonviolence, love), *satyagraha* (putting into practice truth force, love force, soul force), constructive work (based on or social and ethical obligations), selfless service and action to meet the needs of others, and real freedom, democracy, equality, and meaningful human existence. Such an expanded consciousness of a more complex, nuanced, overt and hidden, holistic, relational approach to violence and war radically changes how we understand and respond to our contemporary crises and the challenges of peacebuilding; for transforming violent structures and relations into ones of truth, nonviolence, love, compassion, and self-rule.

Terrorism

Consider how a peacebuilding perspective, influenced by Gandhi’s broadened and deepened approach to violence and war, might begin to address the dramatic contemporary illustration of “terrorism” that so dominates our discourse, media, political and military priorities in the United States, especially since 9/11, and in other parts of the world. In the dominant discourse, “terrorism” is usually restricted to the violent intentions and actions of suicide bombers, the

mass slaughter of innocent civilians, and other transparent examples of violent evil “others” threatening us and our interests. Any peacebuilding approach must, of course, address such terrorism.

However, using our Gandhi-inspired approach, our peacebuilding perspective must also begin to talk about multidimensional terrorism and the structural terrorism of the status quo. In addition

only on short-term violence and terror to overcome violence and terror, we shall not get to the root causes and basic determinants that give rise to and perpetuate violence and terrorism in our world. We’ll continue to be entrapped in reproducing vicious cycles of violence that will guarantee that the 21st century will be largely defined as a time of violence, war, and terrorism.



to the usual individual and group terrorism, there are corporate and other economic terrorism, military terrorism, state terrorism, psychological terrorism, cultural terrorism, and religious terrorism. Not hundreds or thousands, but hundreds of millions of human beings live lives of daily fear, insecurity, and terror. They suffer unnecessarily from humanly caused and imposed conditions of exploitation, oppression, and injustice. Millions of them die from preventable deaths because of intentional policies and actions that deny them decent health care and needed medicine, decent housing, opportunities for education, adequate nutrition, access to water and other essential resources, and a living wage.

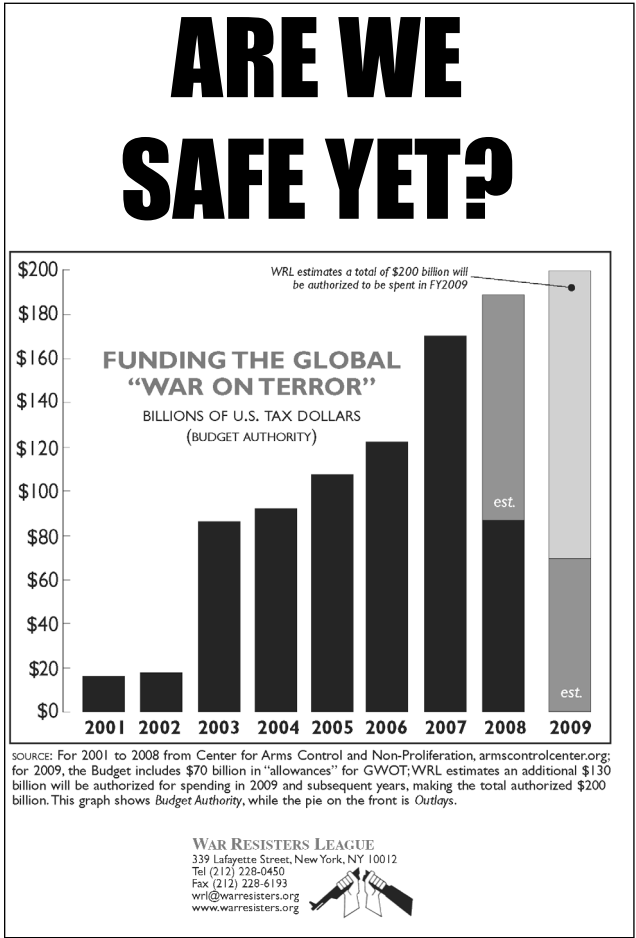
Such “normal” policies and actions, sometimes overtly violent but usually legal and structural expressions of the dominant status quo, meet all of the criteria in a critical definition of terrorism: They are intentional, are always violent (either overtly, covertly, or involving the threat of violence), and instill fear and insecurity in the civilian population, in order to achieve certain objectives (such as profit maximization, accumulation of wealth and power, access to and control of natural resources and cheap labor, egoistic maximization of consumption, political power, religious ends, and so forth).

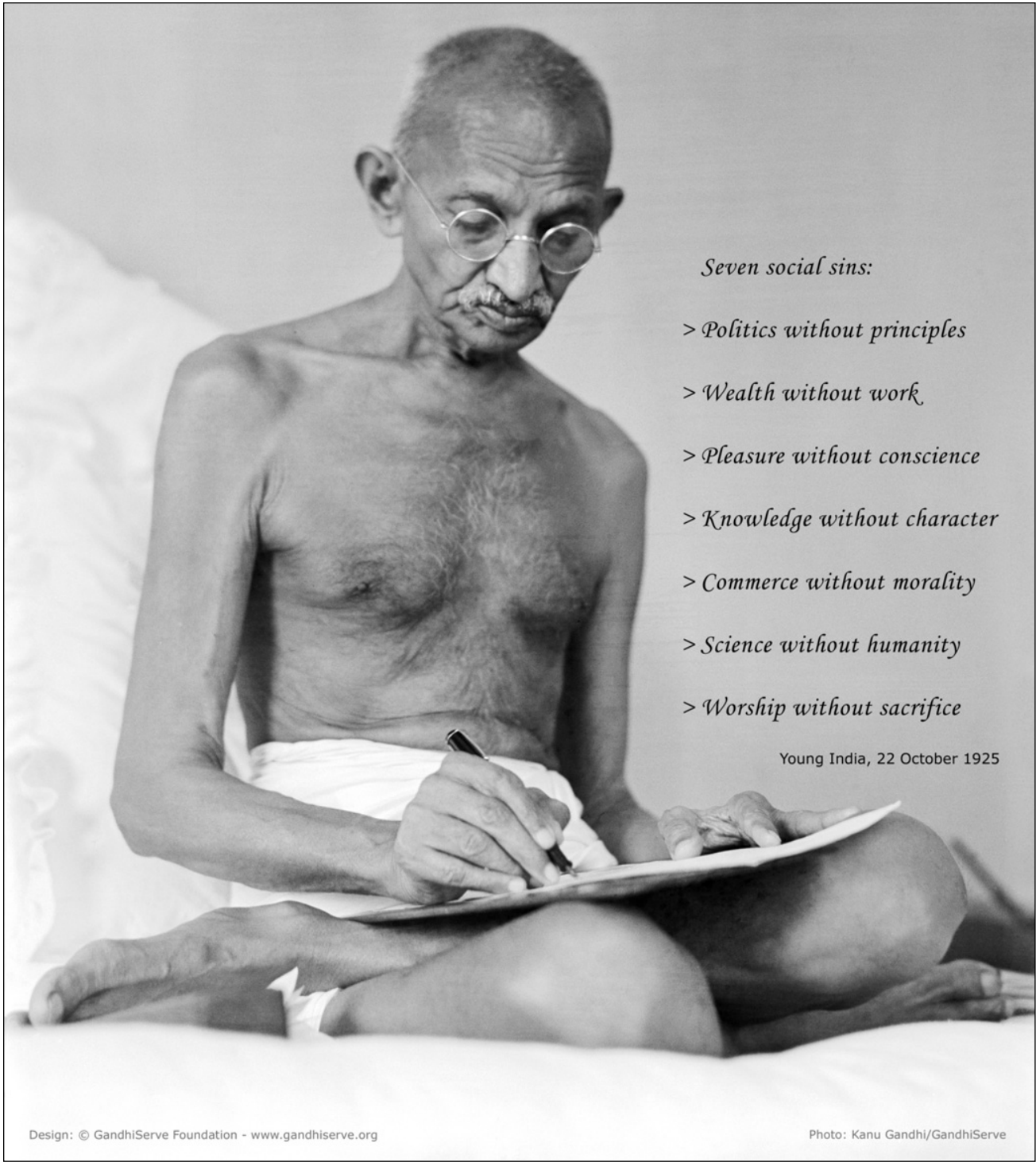
From our peacebuilding perspective, if we do not address multidimensional and status quo structural violence and terrorism, instead focusing

The Modern Violent and Alternative Nonviolent Perspectives

This very different kind of nonviolent peacebuilding perspective can be contrasted with a modern, Western perspective that now dominates globalized political, economic, and military thinking. In *Hind Swaraj* and other writings, Gandhi maintains that modern professions, such as law and medicine, modern views of science and technology and nature, and modern views of “development” and “progress” are inherently violent. In most general terms, “Modern Civilization,” in its orientation or way of being in the world and in its many perspectival defining characteristics, is multidimensionally and structurally violent. In its normal functioning, it represents a state of war carried out against other human beings, against nature, and against our own ethical and spiritual selves.

The perspective of modern Western thinkers, as illustrated by the still influential philosophical approach of Thomas Hobbes, often uses some of the same state of war and war making language of Gandhi’s perspective. As is well known, for Hobbes, human beings exist in a violent, insecure, terrifying “State of Nature” that is really a “State of War.” In such a state of war, in which there is no long-term peace and security, brute violent forces dominate, life is short, and there is no chance for developing culture or civilization. That





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is why we come together, through a mutually beneficial Social Contract, to give up much of our absolute rights and liberties in the State of Nature, in order to empower a Sovereign who will provide us with peace and security. Since there is no reason to trust others to live up to the Social Contract, we must provide the Sovereign with sufficient forces of violence and coercion to carry out its role of protecting us from foreign and domestic violent threats to our peace and security.

A Gandhi-informed peacebuilding perspective looks at human beings and the world in radically different ways from this Hobbesian and related modern Western orientations. Such a nonviolent perspective does not need to be convinced of the human capacity for violence in the world that continually threatens any real sense of real peace and real security, forces us to live in an ongoing state of violence and war, and places the future of humankind and the sustainability and survival of the planet in doubt. In fact, such a perspective uncovers multidimensional violence and the structural violence of the status quo in ways that reveal so much violence where we normally see



nonviolence, and war and war making where we normally see peace.

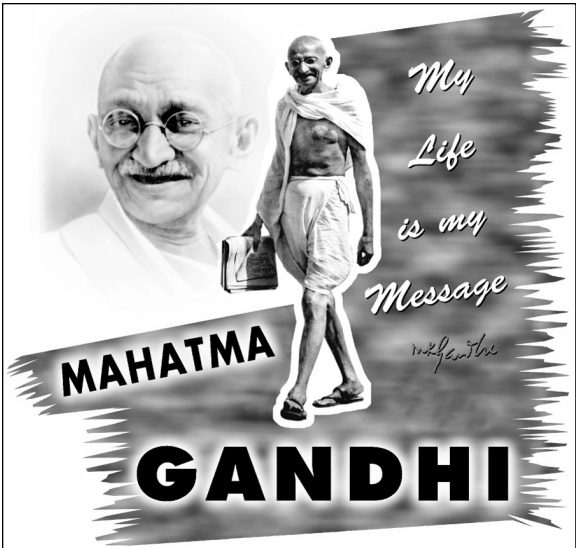
However, an alternative peacebuilding perspective provides us with a radically different view of human nature, of our human condition and situation in the world, of what humans are capable of developing, and of what is needed in terms of theory and practice for building real peace. From such a nonviolent perspective, to empower any sovereign, nation state, corporation, institution, group, or individual with so much concentrated and centralized violent force and means of coercion is an economic, political, and military recipe for disaster for the 21st century. It will not contribute to long-term peacebuilding and real security free from fear, terror, exploitation, oppression, and injustice. Regardless of modern ideological justifications for the need and benefits of violence, war, and war making—in terms of their means for achieving ends of freedom, human rights, democracy, development, and civilization—such dominant use of violence will at best produce an illusory sense of peace and security that really rests upon and maintains an ongoing state of violence, war, and insecurity.

Concluding Observation

In my own work—sympathetically rereading and reflecting critically on Gandhi’s life and his writings, evaluating his strengths and weaknesses, and struggling with Gandhi’s confusions, ambiguities, inconsistencies, and contradictions—I’ve attempted to expand, modify, and reformulate Gandhi’s profound insights regarding violence in ways that are significant and relevant today. This means attempting to integrate Gandhi’s profound, insights with non-Gandhian complementary perspectives in ways that allow us to formulate and apply new creative approaches to violence and war making, nonviolence and peacebuilding. I have not presented such a developed peacebuilding analysis and application in this article.

Instead, the preliminary, but absolutely necessary, aim of this article has been to challenge us to rethink our normal dominant approaches to violence, war, and war making and to rethink what alternative approaches to nonviolence, peace, and peacebuilding might mean. Without such a transformed awareness, our resistance to violence and war and our alternative constructive actions toward realizing nonviolence and peace will remain limited and usually unsuccessful.

—Doug Allen



TRIBAL CONFLICT IN LIBYA

The revolt in Libya is all over the news these days. In fact, it is hardly possible to turn on the television without being assaulted with images of gallant rebels waging battle against the forces of the evil Colonel Gaddafi. As the United States and our European allies descend swiftly into yet another Muslim country, the American media has once again managed to convince most of us that the dictator we are overthrowing is as evil as they come, that he targets civilians, that his entire country is against him, that we will be greeted as liberators. As we have all been through this before, it may be prudent to be a bit more curious than we were in the lead up to the invasion of Iraq. By helping to overthrow Gaddafi, are we liberating Libya?

The popular image of Gaddafi is one of an insane dictator, barely clinging to power. Why then are so many still willing to fight for him? There have been whispered hints in the American media and loud propaganda from the Libyan rebels claiming that Gaddafi has been hiring foreign mercenaries to fill the ranks of his army, though whether there is any truth to these claims is hard to determine. One thing is for sure: Though propaganda would have us believe that Gaddafi is alone, and that by attacking him we are fighting on the side of the Libyan people, Libyan story is far more complicated and far more real.

One cannot understand the current Libyan crisis without understanding Libya's tribes. Though Libya has become more modern during Gaddafi's reign, and tribal populations have mixed in large cities, tribal identity and culture is still a strong force. Tribes in Libya fall into three main categories: The western, the central, and the eastern tribes. Gaddafi himself hails from the Gaddafa tribe, which is the most powerful tribe in central Libya. The first cities to fall to the rebellion lie mainly in the eastern section of Libya, where the tribes have always opposed Gaddafi. Benghazi, one of the greatest strongholds of the rebellion, is home to the Zuwayya tribe, the largest and most powerful in the east. During the reign of King Idris I, whom Gaddafi deposed in 1969, the eastern tribes were given special privileges over the tribes of west and center. Under Gaddafi, these same eastern tribes have been oppressed. From this, it would seem that what we are seeing in Libya is not so much a democratic revolution, but rather a tribal civil war. Gaddafi himself has claimed as much. According to Gaddafi, without him Libya will fall into chaos and be embroiled in tribal conflict for decades.

Is he wrong? Even if one takes into account that traditional Gaddafi supporters have begun to oppose him, which would suggest that the current situation is more than a tribal conflict, what guarantee do we have that a Libya without Gaddafi will be better off? After we toppled the Bath party in Iraq, many Iraqis cheered the downfall of the

brutal dictator, Saddam Hussein. However, Iraq very quickly descended into chaos and civil war. This happened despite a powerful military presence in Iraq on the part of the United States, and despite Iraq's conflicts boiling down to a relatively simple Shia vs. Sunni war. In Libya, with dozens of tribes and hundreds of sub-tribes, such a conflict could very well go on into the next century.

It is possible, though, that the American media is, for once, telling the truth. Gaddafi may well be a mentally unstable dictator who murders his own civilians. It may also be true, as the rebel leaders have said, that today's Libya is modern enough to avoid decades of tribal conflicts. According to them, tribes have been mixed in the large cities of modern Libya, and tribal animosity has weakened. They paint a picture of a modern, middle class Libyan population which will rid itself of the brutal Gaddafi or die trying.

From the American perspective, it is hard to determine who is telling the truth. The only thing that we can be sure of is that we had better be a lot more careful this time around; We literally cannot afford another Iraq. Hopefully, with the support of the United Nations and the Arab League, Libya will be able to rebound from this conflict as a single united country. If not, we may be getting in way over our heads.

—Joshua Trombly



THE ETHICAL, POLITICAL AND ECONOMIC CONSEQUENCES OF DERIVATIVES TRADING OR HOW THE BANKERS ARE RUINING THE WORLD

When most people think of investing they think of stocks or bonds. Stocks are like buying a tiny share of a company and receiving in return some of the company's profit on a regular basis. Of course, stocks can be bought for speculative reasons as well. People buy stocks in the hope that their price will rise as the company is more successful and more people want to buy stock in that company. Bonds are more like lending money to a company or a government and come with legal obligations to pay back the bondholder with interest or in a lump sum. Offering stocks and bonds plays a vital economic role by raising money for new ventures. Worldwide stock and bond markets together account for approximately 100 trillion dollars. These days, another important investment opportunity exists, derivatives. The world market in over-the-counter, meaning essentially unregulated, derivatives has surpassed 615 trillion dollars. This has major ethical, political and economic consequences of which public literacy is almost entirely non-existent. A derivative is a contract that can be purchased and whose value is based on some underlying asset. For example, a "futures" derivative is an agreement to buy some product into the future at a predetermined price, say rice for 60 dollars. If the price of rice is expected to go up to 97 dollars, buying rice futures is a good speculative investment. In the past, such commodity-based futures could be a safety net for rice producers and buyers, who could expect to sell or purchase a certain amount of oil at a predetermined price regardless of whether the market for rice went up or down. The trade in derivatives in its modern incarnation introduces extreme volatility into the market by supplanting the price provided by supply and demand with an artificial price based on the amount of money being poured into speculative bets on the underlying asset's future value. This is particularly explosive when combined with other kinds of derivatives, such as swaps, that amount to unregulated insurance, insurance without the money to back it up. A terrifying reality of today's global economic is that a substantial majority of the 615 trillion dollars tied up in derivatives trading is based on thin air.

The trade in derivatives based on home mortgages was the primary reason behind the recent collapse in the home mortgage market and with it the global economy. Investment banks wanted to make money by offering mortgages to people they knew could not pay them back, but who would pay a higher than normal interest rate on their mortgage because they were risky. These are people who would never have received a home mortgage in the past, called "sub-prime" borrowers. The sub-prime market is only financially attractive to

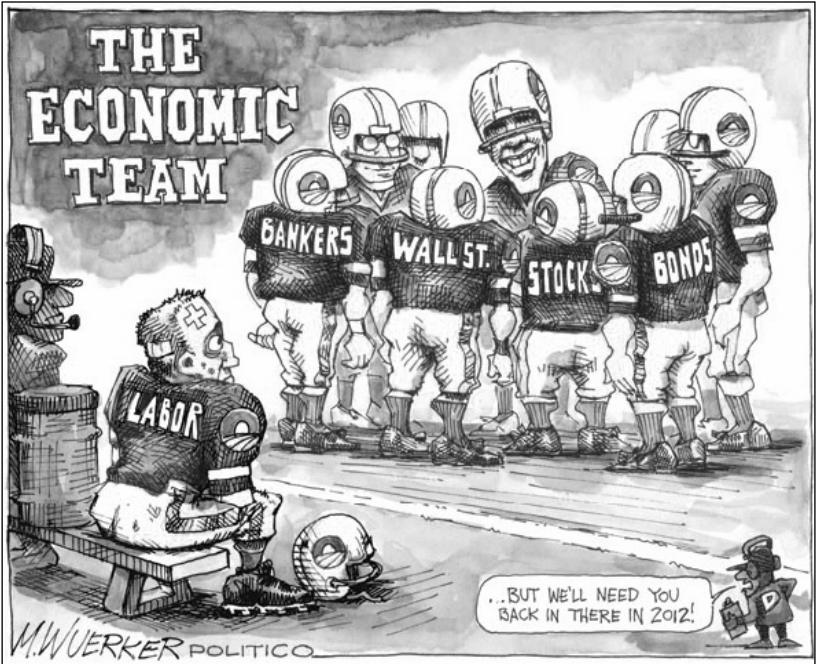
the banks if the risk of sub-prime mortgages defaulting can be passed to a third party and moreover if the short term risk of defaults can be reduced. The banks did this by bundling home mortgages together (perhaps ten thousand or more) and selling them onto Wall Street in the form of a derivative. Investors were buying a share of the income generated from bundles of mortgages and with it accepting the risk of homeowners defaulting. Big companies bought into these mortgage backed securities and collateralize debt obligation (bundles of mortgage backed securities), as did individuals and a variety of funds, everything from retirement funds to municipal and state governments around the world.

The sub-prime mortgage market was at its core a giant pyramid scheme. When the US housing

seem less risky by credit ratings agencies, which universally claimed that these risky financial instruments (mortgage backed securities, collateralized debt obligations) had virtually no risk. The ratings industry enjoys a semi-governmental function because their ratings carry legal weight and municipal funds etc. cannot be invested in ventures determined by the credit rating agencies to be risky. Ridiculously, the credit rating agencies are in general paid by the investment banks whose products they are legally tasked with rating.

Ostensibly to alleviate risk, but in fact with the opposite result, banks offered another kind of derivative called a credit default swap on the derivatives based on bundles of home mortgages. The buyer of a credit default swap makes payments to the seller, and in return receives a payoff if the underlying financial instrument defaults, in this case, a mortgage backed security. A credit default swap is similar to insurance, but differs in one very important way. Credit default swaps are scrupulously not called insurance, because insurance is regulated. If a bank offered "insurance" on 1 trillion dollars of mortgage backed securities, meaning it would have to pay investors in the event of massive defaults, it would be required to have some percentage of that amount in a rainy day fund. With a credit default swap, no parallel requirement was made. Credit default swaps allow banks to charge infinite amounts of money by taking on infinite amounts of risk without having the money to pay if things go wrong. It was basically printing money, and all of the banks and insurance companies like American International Group (AIG) made outlandish profits offering these credit default swaps. While it meant that the banks were now taking on an amount of liability that could literally destroy them overnight, the short term (not that short term) profit was well worth the risk, particularly to CEOs being paid \$50 to \$100 million for their "stellar" performance. Another big factor in the banks' decision to accept this risk was an understanding that governments around the world would come to their assistance in the event of catastrophe. The banks could reasonably expect this special treatment because of their centrality in the global economy and influence within governments the world over.

While some companies were offering credit default swaps to make money on the fee, other banks were actively betting against the entire mortgage market. This is how the smart banks, particularly Goldman Sachs, profited from the financial collapse. Goldman Sachs and friends took out billions in credit default swaps backed by AIG (the largest insurer), so when the entire enterprise of mortgage backed securities and certified debt obligations (that these same banks had been profiting from and had been instrumental in creating) collapsed they would still make money. The strain of payment on these credit default



market was doing well, as it was in part because of the wide availability of sub-prime loans, everyone was making money. Even if a sub-prime borrower defaulted, the home could be sold at a profit if the housing market kept going up. The quantity of easily available mortgages, coupled by the increase in home prices that this partly created, meant that people also bought homes for speculative reasons, further inflating the market. It became economic doctrine that US housing prices would literally never go down, a contingency the banks would later claim they could not reasonably be expected to foresee, despite that fact that many of them would switch their position to bet on the collapse, a point to which we shall return. Under normal circumstances, no bank would ever lend to the risky people that the banks were in fact actively seeking. An FBI report from 2007 reveals that fully 80% of sub-prime mortgages were bank-initiated, meaning that the banks sought out poor desperate people to give mortgages to, not the other way around. (See Huntington Post, William K. Black, The Two Documents Everyone Should Read to Better Understand the Crisis, February 25, 2009. Online at http://www.huffingtonpost.com/william-k-black/the-two-documents-everyon_b_169813.html.) The whole process was made to

BANKERS
(continued from Page 8)

swaps pushed AIG into bankruptcy, but thankfully for the other banks, the government bailed out AIG, so these banks still made money when AIG used the public monies from the bailout to payout on the credit default swaps. Critically, the amount of credit default swaps that were used for speculation grew to dwarf the amount that was actually used for insurance, with 5 trillion dollars worth of bonds issued in the world prior to the collapse and an astounding 60 trillion in credit default swaps on those bonds (a credit default swap can be taken out on a bond, just as easily as it can on a securitized debt obligation or other derivative). (See Alex Blumberg. “How Credit Default Swaps Spread Financial Rot” NPR’s This American Life, October 30, 2008. <http://www.npr.org/templates/story/story.php?storyId=96333239>.) To illustrate how much money 60 trillion dollars represents, it is interesting to reflect that the entire gross domestic product (the market value of all goods and services produced in a country) of the US in 2007 was only around 14 trillion dollars.

An individual cannot take out a fire insurance agreement on his neighbor’s home, because that would give him an incentive to “help” his neighbor’s chances of having a house fire. On the other hand, a company can take a life insurance policy out on one of their competitors, clients or even the investment opportunities they created for sale through the purchase of a credit default swap. One of the more recent scandals involving Goldman Sachs revolves around the bank constructing 1 billion dollars in mortgage backed securities which it sold to investors under the pretense of being a good investment, but which testimony and the investments themselves suggest it had designed to fail. Goldman Sachs insured the 1 billion dollar mortgage bundle such that it profited from both selling the original mortgage-backed security and its inevitable failure. When the details of this particular arrangement became public, Goldman Sachs received a slap on the hand, but nothing substantial was done to prevent them or other backs from acting similarly into the future.

The deregulation of the kinds of derivatives that led to the collapse of the global economy was accomplished by the same actors who deregulated the market in commodity-based derivatives. Again, these are things like futures or options on rice, wheat, uranium, oil, etc. A futures contract is an agreement to buy some commodity at a future date at a prearranged price. An options contract differs from a futures contract because it allows, but does not require, the purchase of some commodity at a future date at a preset price. These kinds of trades have caused wild fluctuations in many different kinds of commodities, but of particularly concern are those commodities most linked to the day-to-day survival of people worldwide, namely food and energy commodities.

In the past, the trading of food commodity based derivatives was mostly the domain of players who had an interest in the underlying physical commodities, because of laws dating back to the

1930s and the Great Depression which limited the ability of speculators to enter the market. After a decades-long campaign for deregulation won by the banks in 1991, a significant number of market players began to look at derivatives based on commodities from a purely speculative perspective. Between 2000 and 2008, the number of food commodities derivative contracts increase by 500% and more specifically, between 2006 and 2008 it is estimated that speculators dominated long positions, those positions based on profiting from an increase in price, in food commodities. For example, speculators held 65 per cent of long maize contracts, 68 per cent of soybeans and 80 per cent of wheat. However, like in housing, bets placed on the very necessities of people’s lives result in catastrophe. Nowhere can this more clearly be demonstrated than in the wild surge in staple food prices between 2007-2008, when millions of people went hungry, not because there was a lack of food, but rather because they could not afford it. Globally, poor people spend a very high percentage of their income on food, somewhere between 50% and 90% and have very little leftover to protect themselves against changes in price.

In 2007 and 2008, the price of food and energy skyrocketed. The IMF’s food price index increased by more than 80% and oil prices soared to almost \$150 dollars per barrel. According to the World Health Organization the number of chronically malnourished people rose by 115 million from 2006 to 2008. This was not just the result of long term trends effecting supply and demand, but rather, speculation was the root cause of “wild” price changes both then in 2008 and again today as prices soar beyond 2008 levels. If poor harvests, environmental change, bio-fuels, Asia’s changing diet and systemic instabilities in the world food trade created by neo-liberalism are the primer for disaster, the explosive is an artificial concoction or the derivatives trade which makes it easy for investors to profit on fluctuations in the price of commodities without physically hording any of the underlying assets.

Most of the trade in derivatives based on food commodities is done through commodity index funds. These are investment opportunities created by banks. In essence, they are similar to the mortgage-backed securities banks that were constructing to allow Wall Street to invest in home mortgages. Investors in commodity index funds don’t buy a single commodity for good supply and demand reasons, but rather buy into indexes of 25 or more commodities, just like investors didn’t buy a derivative contract on a single mortgage, about which they could know the details, but rather bought into thousands about which they understood nothing. The profitability of mortgage-backed securities was based on growth in the US



housing market, which continued to grow in no small part because of the wide availability of home mortgages offered in order to create the mortgage-backed securities. Commodity index funds are remarkably similar. Their profitability rests on increasing commodity prices (all commodities), something which is guaranteed in the short term in part because of the increasing number of commodity index funds being offered. This is particularly the case because of the great wash of monies that fled the home derivatives market seeking other opportunities. Put simply, speculative traders invest in futures contracts to profit when the price of the underlying commodities either increase, or increase beyond the futures contract’s price. When a sufficient number of big economic players are involved in this game, they change the commodity price by simply holding onto large numbers of commodity futures. In many commodities, the spot-price (day to day price) has become the price of the futures derivatives the closest to expiration. The reality of other events effecting the food price make this even more egregious as the speculative weight of investors on the market makes even small fluctuations in price into large fluctuations. Again, there are other reasons for food prices to rise, based on supply and demand, but these do not account for the recent “wild” fluctuations generated by short-term speculative predation.

At a time when public employees are being demonized across the nation, it is crucial that we remember who are the real villains responsible for ruining not only our own economy, but the global economy. With the exception of Bernie Madoff, who was largely punished for ripping off other rich people, no one, no one who was responsible for creating the current economic slump has gone to jail. Even more importantly, these same people are responsible for the deaths of millions of people globally through their manipulation of commodities prices, a crime which may not have the same ring to it as murder, but whose magnitude defies imagination.

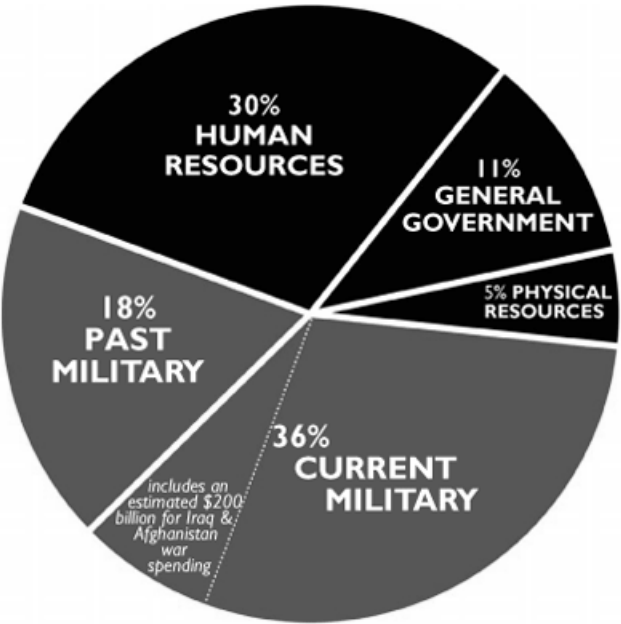
—Alexander Achmatowicz

HOW SOCIAL SPENDING PAYS US BACK

HOW ARE WE SPENDING OUR TAX DOLLARS ANYWAY?

- Military (non-veteran) – 59%
- Health and Human Services – 6%
- Education – 5%
- Veterans Affairs – 4%
- Housing – 3%

WHERE YOUR INCOME TAX MONEY IS REALLY GOING THIS YEAR!



The U.S. spends as much on military as the rest of the world combined. We have passed the point of ensuring security and now military contractors are simply becoming incredibly rich off the backs of the taxpayers.

Incredibly the top 1% of people have as much wealth as the bottom 90% of people. The Bush tax cuts that were extended by Congress gave 50% of cuts to the top 5% of households and we now have the biggest wealth disparity since just before the Great Depression. We can't afford to continue these giveaways to people who need it the least!

Big increases in military spending + Big tax cuts for the wealthy = Huge deficits. And, of course, the wealthy and powerful recipients of these military contracts and tax cuts push for cuts in spending on things like healthcare, entitlements and education because cuts in these areas will not affect them directly. They can afford private health insurance, private schools, and stock portfolios for retirement.

Spending decisions

“Every gun that is made, every warship launched, every rocket fired, signifies in the final sense a theft from those who hunger and are not fed, those who are cold and are not clothed.”

– President Dwight Eisenhower

What is welfare and who gets it?

Achieving big things requires us to pool resources through our tax system. Individual charitable giving cannot build a road or defend a nation. The reason societies are formed is so that we can share the benefits and the responsibilities of security and “provide for the common welfare” (just as it says in the Constitution). The wealthiest individuals, who have been the recipients of the Bush tax cuts for the last 10 years, have a particular responsibility, as they are in a position in which they are easily able to meet and exceed all their financial needs.

A 25% cut in military spending will give us at least \$175 billion a year for our communities.

We could have these choices:

Schools:	Build or renovate 20,000 schools
Health Care:	Insurance for 40 million people
Green Jobs:	5 million earth-friendly jobs
Veterans' Services:	A 3.5-fold increase in the VA budget
College:	4-year scholarships for 8.5 million students
Housing:	Affordable mortgages for a million families


Contrary to popular opinion, poor people are not the major recipients of welfare. If you use toll-free roads, public schools, tax deductions, national parks, police departments, and fire departments, you're a welfare recipient. In fact the biggest welfare recipients in this country are corporations. By the beginning of the Second World War, corporations were paying 50% of the federal government's expenses. By the 1950s, this declined to 25% and by 2003 to just 7%. And the mythology that all these tax cuts lead to jobs and investment hasn't seemed to pan out. Instead executive salaries and bonuses have ballooned, benefits packages for the middle-class jobs and minimum-wage jobs that still exist have shrunk or disappeared, and jobs and industries are being shipped overseas.

When does social spending make sense?

Infrastructure is the foundation on which prosperity is built. Schools, courts, roads, bridges, transportation systems, police, fire departments, healthcare, childcare, and family leave time from work are essential for increased productivity, innovation, and quality of life. Investment in these areas provide far more economic stimulus, on a dollar-for-dollar basis than those big tax cuts for the wealthy. That's because a huge portion of those big tax cuts for the wealthiest people go to

Schools or Tanks?

Health Care or Bombs?



savings or overseas investments that don't help our national economy or create needed jobs.

It's been shown that that the earlier we invest in building human capital, which is made up of things like job skills, general knowledge and experience, physical health, social skills, etc., the bigger the rewards. Which means that the money we spend on pre-school gives us the highest rate of return on our investment, and that our current approach of trying to give hasty skills training to people later in life when they're in crisis is less effective and a lower total value. But, investing early means that you have to wait longer to see the effects of your investment. This change in strategy requires a mind set change too. We need to look at education, not as a drain on the economy but as a necessary investment toward a more prosperous society. It's just an investment in people instead of things. If we want innovation and industry we need to have a population that can contribute to them at every level.

The necessary change in values and priorities

Exactly one year before his assassination, Martin Luther King, Jr. made the following profound statement that is truer today than ever:

“We must rapidly begin the shift from a ‘thing-oriented’ society to a ‘person-oriented’ society. When machines and computers, profit motives and property rights, are considered more important than people, the giant triplets of racism, extreme materialism, and militarism are incapable of being conquered.... America, the richest, most powerful nation in the world, can well lead the way in this revolution of values....”

— Anna Sweeney



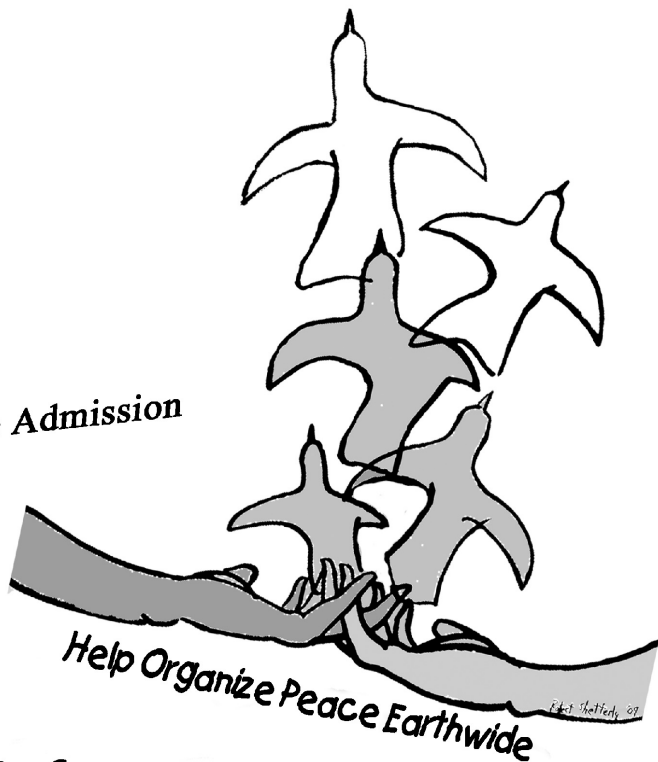
HOPE

GREEN

EXPO

FESTIVAL

Free Admission



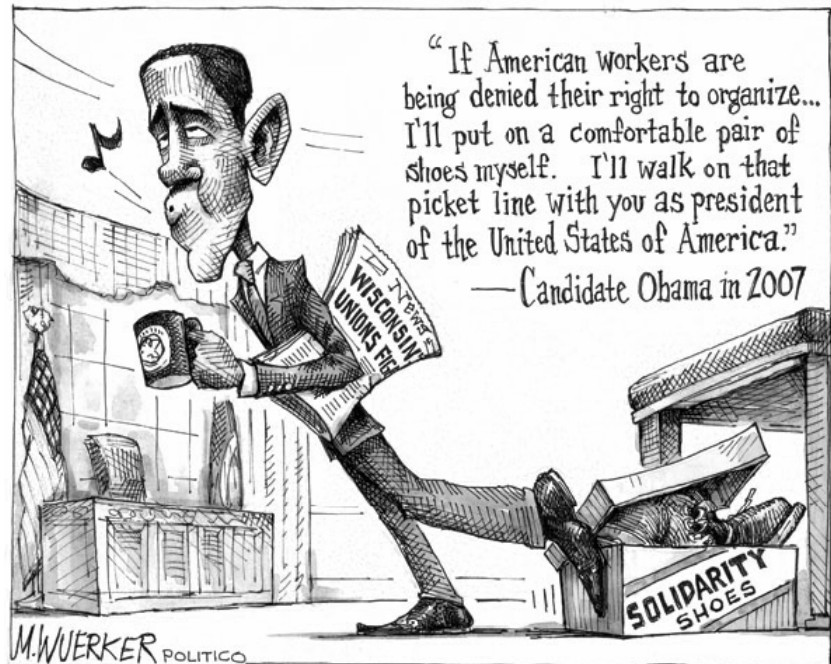
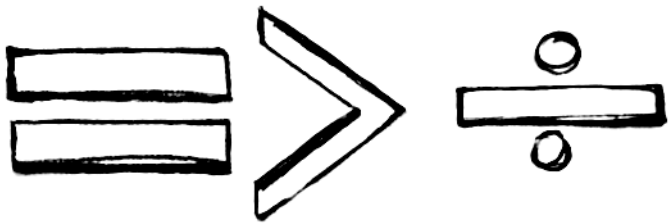
- * **Performers:**
David Mallett, Maine folksinger
Zachary Field, Amazing Juggler
Hope Festival Singers
- * **Keynote speaker:**
Jim Merkel, Radical Simplicity
- * Children's activities
- * Farmers Market and Food Court
- * 70 Social Change groups

Saturday, April 30 ~ 11 AM- 4 PM
Student Recreation and Fitness Center,
University of Maine, Orono

For more Information
Peace and Justice Center of Eastern Maine
942-9343 ~ info@peacectr.org ~ www.peacectr.org



☺ is possible if, and only if...



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Opinions expressed in this Newsletter are those of individual members of MPAC and other university and community activists. They do not necessarily express the views of other MPAC members or of the group as a whole. We know that other readers may not agree with all that is stated in this issue, and we encourage your response.

The Maine Peace Action Committee has its general meeting every Tuesday at 7:00 PM in the Virtue Room of The Maples Building on the University of Maine campus. Meeting times and dates may change. MPAC often has subcommittees working on topics of special interest to current members. MPAC also organizes film series, speakers, teach-ins, workshops, concerts, reading groups, demonstrations, and other peace and justice actions. For more information on MPAC, call 581-3860. If you are interested in peace education and activism, please join us. <http://www.umaine.edu/mpac/>

We trust that you have enjoyed reading past issues of the MPAC Newsletter. If you have not renewed your subscription or have not made a contribution to MPAC during the past year, please return the following form to us. (Please make checks payable to Maine Peace Action Committee.):



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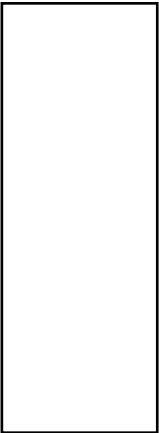
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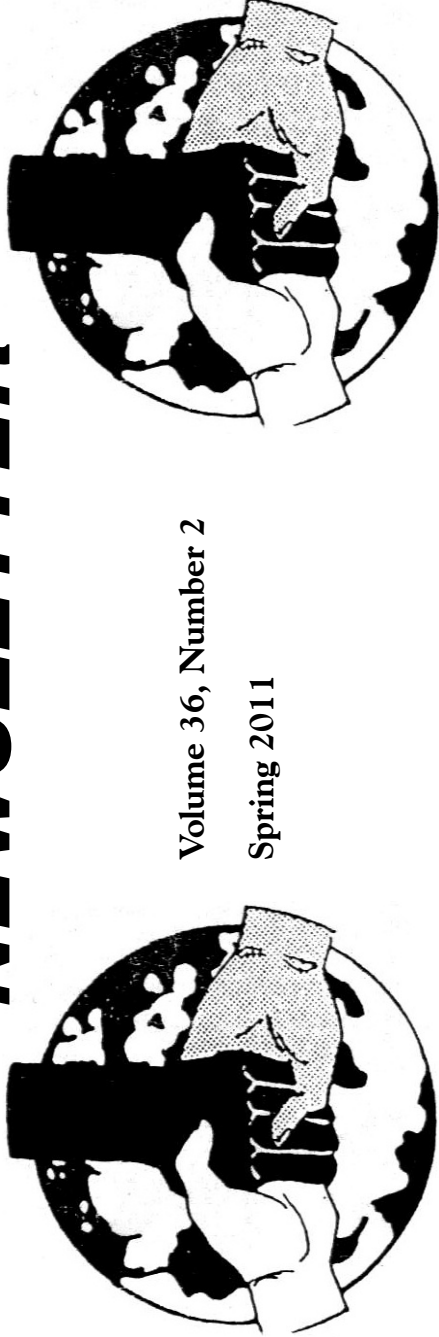
Maine Peace Action Committee, Memorial Union, University of Maine, Orono, ME 04469

MAINE PEACE ACTION COMMITTEE
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Orono, ME 04469 (Change Service Requested)

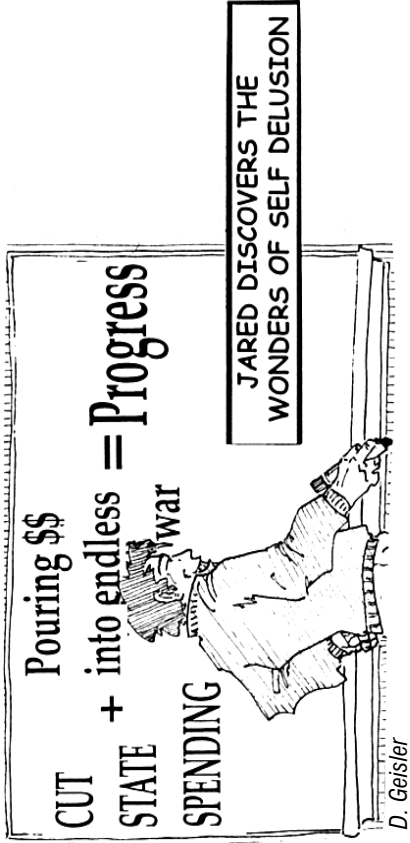
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Maine Peace Action Committee
NEWSLETTER



BRING OUR WAR
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HOME



ENDLESS WAR OR HUMAN NEEDS?

Taxpayers in Maine will pay \$2.5 billion for Iraq and Afghanistan war spending since 2001.

Could your tax dollars be better spent?
<http://nationalpriorities.org/Trade-Offs.html>